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C O N F I D E N T I A L SECTION 01 OF 03 TEL AVIV 000669

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TAGS: ECON ETRD KPAL IS
SUBJECT: ISRAELIS SEE PROGRESS AT JEC

Classified By: Ambassador Richard H. Jones for reasons 1.4 b and d

¶1. (C) On March 18, Michal Finkelstein, Senior Advisor to the Ministry of Finance (MOF), gave EconCouns a readout of the March 11 Joint Economic Committee (JEC) meeting between the GOI and the Palestinian Authority (PA). Finkelstein said that the talks were constructive and would lead to significant cooperation on economic matters. Having MOF DG Yarom Ariav and MFA DDG Yossi Gal speaking directly with Karim Nashashibi, the representative of the PA Prime Minister, was an important step forward, in Finkelstein's view. The bulk of the discussion revolved around the Tarqumiya, Jenin, and Jericho projects, the Allenby crossing, and the May Bethlehem Investors Conference. While there were areas of disagreement, she stressed that the meeting took place in a very positive atmosphere with the participants trying to figure out ways to solve problems. While the Palestinians voiced complaints about movement and access problems, there was progress on lengthening the hours that the Allenby crossing is open, and on cooperating to make the May Investors Conference in Bethlehem a success. Following are her comments regarding the exchanges at the meeting.

Taqumiya

¶2. (C) The Palestinians indicated that the Turks appear to be optimistic about progress being made. The main point at issue for the Palestinians was their feeling that the present proposed locations for the project are not suitable. They insisted that the site be in Area C, close to the Tarqumiya crossing, which they think is the only level, viable location. The GOI position, as stated by Yossi Gal, MFA DDG, was that Area C could not be considered because of security concerns and that the Palestinians should choose one of the three possible locations in Area B. The leader of the Israeli delegation in the talks, MOF DG Yarom Ariav, responded that the Palestinians should make a final decision as to location over the next few weeks. Finkelstein noted to EconCouns that "The Palestinians need to respond on location, then we'll know what to do." (Comment: The Turks agree with this assessment. The Turkish Ambassador told Ambassador Jones on March 21 that the Turks "expected problems with Israel on the project but now it's the Palestinians who are stopping things." PA PM Fayyad's people are more obstinate than President Abbas's people, he said; they appear to want political gains from securing Area B privileges in Area C. He saw this as a shortsighted strategy. Even if Barak gave them the Area C site, he predicted the "lower echelons" in MOD/IDF would then work to frustrate progress at every turn. End Comment)

Jenin

¶3. (C) There is now a feasibility study underway to study the German-funded project. The location is acceptable to the

Palestinians, but they say it will require a major private investment for development to succeed. The Israelis indicated that they need the Palestinians to present them with a clear timetable for the project and a comprehensive list of its infrastructure requirements in order to mobilize GOI agencies. Finkelstein added that to get things going, "Ariav wants a strict timetable."

Jericho

¶4. (C) The Japanese feasibility study is underway. However, the Palestinians indicated that the project would not be viable without a direct road connection to Route 90. They complained that Israel was being of no help on the issue. The Israeli side said that it would not be possible to link the project to Route 90 for now. Finkelstein added a parenthetical "It is still too early."

Allenby

¶5. (C) The Israeli side agreed to consider extending the hours of operation of the Allenby crossing. At present, the line for crossing closes at 1430 with those already in line by that time being allowed to cross until 1600. The new proposal will keep the line open until 1630 and the crossing open until 1800. Finkelstein noted that the question becomes moot in the summer since the crossing remains open then until ¶2000. Regarding the Palestinian request to station customs officers at the crossing, Finkelstein that this was a matter that required a political decision, which has not yet been

TEL AVIV 00000669 002 OF 003

forthcoming. She added that the GOI had completed the "customs training that we could - in a good atmosphere." She noted the importance of general accounting training and noted that the GOI was waiting for a response to its proposal for further training to Palestinian General Accountant Zamr Yusuf.

May Bethlehem Conference

¶6. (C) The Palestinians indicated that about 300 people would attend. Finkelstein said that Israel was ready to help as much as possible on expediting passage to the conference venue, even if notification is given only a few days before the conference begins. The Israeli points of contacts for this issue are COGAT Chief Mishlev and MOD DG Buchris.

Between Meeting Contact

¶7. (U) Finkelstein said that between JEC meetings, General Mishlev would remain the day-to-day Israeli coordinator on all of these issues. Dan Ronen, formerly with the Peres Peace Corridor Project and now with the Ministry of Negev Galilee Development, is handling all aspects of these projects that touch on issues "within Green Line Israel." COGAT Economic Officer Baruch Persky has done studies of the water and electricity infrastructure requirements for all of the proposed projects.

The March 11 JEC Agenda

¶8. (U) -- Opening Remarks by Yarom Ariav, Israeli MOF DG and Karim Nashashibi, PA Economic Advisor to the PM

-- Presentation of Projects by the Israeli Team, COGAT

(Coordinator of Government Activities in the Territories) and MOD:

Jenin Industrial Park Infrastructure;

Tarqumiya Industrial Park;

Jericho Agribusiness Park;

Housing Projects;

-- Presentation by PA Team:

Nasr Jaber Updating on Progress and Obstacles to Industrial Park Development;

Jafar Hdieb Updating and Discussing the Economic Implications of the May Investors Conference in Bethlehem;

Palestinian Customs Presence at Allenby;

Extension of Working Hours at Allenby;

Permits for Palestinians to Work in Israel.

-- Open Discussion

-- Summary by Ariav and Nashashibi

Participants

¶9. (U) The Palestinian side was led by Karim Nashashibi, Economic Advisor to the Prime Minister. Representatives of the PA Ministries of Customs and Economics, and from the NSU.

Israelis:

Yarom Ariav, Ministry of Finance

Michal Finkelstein, Ministry of Finance

Yossi Gal, Ministry of Foreign Affairs

Irit Ben Abba, Ministry of Foreign Affairs

Oded Herman, Ministry of Defense

Gabby Barr, Ministry of Industry Trade and Labor

Reuven Menser, Customs

Ohad Banfil, Bank of Israel

Dan Ronen: Ministry of Negev Galilee Development

TEL AVIV 00000669 003 OF 003

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